

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
EDUCATION/COLLEGE STUDENT
AID COMMISSION BILL)

A BILL FOR

1 An Act relating to certain responsibilities of the college
2 student aid commission under the federal Higher Education
3 Act of 1965.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 8A.504, subsection 1, paragraph c,
2 subparagraph (2), Code 2013, is amended to read as follows:

3 (2) An amount that is due because of a default on a
4 ~~guaranteed student or parental~~ loan under chapter 261.

5 Sec. 2. Section 8A.504, subsection 4, Code 2013, is amended
6 to read as follows:

7 4. The director shall have the authority to enter into
8 reciprocal agreements with the departments of revenue of other
9 states that have enacted legislation that is substantially
10 equivalent to the setoff procedure provided in this section
11 for the recovery of an amount due because of a default on a
12 ~~guaranteed student or parental~~ loan under chapter 261. A
13 reciprocal agreement shall also be approved by the college
14 student aid commission. The agreement shall authorize the
15 department to provide by rule for the setoff of state income
16 tax refunds or rebates of defaulters from states with which
17 Iowa has a reciprocal agreement and to provide for sending
18 lists of names of Iowa defaulters to the states with which Iowa
19 has a reciprocal agreement for setoff of that state's income
20 tax refunds.

21 Sec. 3. Section 261.37, subsection 7, Code 2013, is amended
22 to read as follows:

23 7. To establish an effective system for the collection
24 of delinquent loans, including the adoption of an agreement
25 with the department of administrative services to set off
26 against a defaulter's income tax refund or rebate the amount
27 that is due because of a default on a ~~guaranteed or parental~~
28 loan made under this division. The commission shall adopt
29 rules under chapter 17A necessary to assist the department of
30 administrative services in the implementation of the student
31 loan setoff program as established under section 8A.504.
32 The commission shall apply administrative wage garnishment
33 procedures authorized under the federal Higher Education Act of
34 1965, as amended and codified in 20 U.S.C. § 1071 et seq., for
35 all delinquent loans, including loans authorized under section

1 261.38, when a defaulter who is financially capable of paying
2 fails to voluntarily enter into a reasonable payment agreement.
3 In no case shall the commission garnish more than the amount
4 authorized by federal law for all loans being collected by the
5 commission, including those authorized under section 261.38.

6 Sec. 4. Section 261.38, subsections 1, 3, and 4, Code 2013,
7 are amended to read as follows:

8 1. The commission shall establish ~~a loan reserve account~~
9 ~~and~~ an agency operating account as authorized by the federal
10 Higher Education Act of 1965. The commission shall credit to
11 ~~these accounts~~ this account all moneys provided for the state
12 student loan program by the United States, the state of Iowa,
13 or any of their agencies, departments, or instrumentalities,
14 as well as any funds accruing to the program which are not
15 required for current administrative expenses. The commission
16 may expend moneys in the ~~loan reserve and~~ agency operating
17 ~~accounts~~ account as authorized by the federal Higher Education
18 Act of 1965.

19 3. Notwithstanding section 8.33, funds on deposit in the
20 ~~loan reserve and~~ agency operating ~~accounts~~ account shall not
21 revert to the state general fund at the close of any fiscal
22 year.

23 4. The treasurer of state shall invest any funds, ~~including~~
24 ~~those in the loan reserve and~~ agency operating ~~accounts~~
25 account, and, notwithstanding section 12C.7, the interest
26 income earned shall be credited back to the ~~appropriate~~ agency
27 operating account.

28 Sec. 5. Section 261.38, subsection 2, Code 2013, is amended
29 by striking the subsection.

30 Sec. 6. REPEAL. Sections 261.39 and 261.41, Code 2013, are
31 repealed.

32 EXPLANATION

33 This bill makes changes to Code chapter 261 in response to
34 recent changes in the federal Higher Education Act of 1965, as
35 amended. The bill eliminates references to guaranteed student

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1 or parental loans and to the loan reserve account, and repeals
2 related Code provisions.